

PROCEDURE

DELEGATED PURCHASING PROGRAM COMPLIANCE REVIEWS

EFFECTIVE DATE: 04/01/00

A. Purpose

This procedure documents the process by which delegation program compliance reviews will be conducted by the Acquisition Quality Assurance Program.

B. Definitions. See Glossary Section for definitions. Any definitions included here are for purposes of this procedure only.

1. Commodity Base Delegation – A purchasing mechanism for the acquisition of materials, supplies, and equipment up to \$15,000 per transaction.
2. Compliance Review – An assessment and evaluation of a department's purchasing program, policies, procedures, and transactions to determine the department's procurement performance and compliance with relevant statutes, regulations, policies, procedures, and guidelines.
3. Expanded Delegation – A purchasing mechanism for the acquisition of commodities, information technology or telecommunications (*ditto #same as above*) goods and/or services that exceed the base delegation limits. An expanded delegation is a general expansion of authority with no restrictions on the type of goods a department can acquire.
4. Information Technology Base Delegation – A purchasing mechanism for the acquisition of information technology and telecommunications goods and/or services up to \$500,000 per transaction.
5. One-Time Delegation – A purchasing mechanism for a one-time acquisition of commodities, information technology or telecommunications goods and/or services which exceeds the base delegation limits, but the requesting department is not seeking a special or expanded delegation. Generally, a procurement conducted under this delegation is reviewed and approved by PD before the contract is issued.
6. Special Delegation – A purchasing mechanism for the acquisition of commodities, information technology or telecommunications goods and/or services that exceed the base delegation limits. A special delegation is generally for a specific commodity or group of identified commodities.

C. Procedure

1. Department of General Services Authority
 - a. The Public Contract Code places authority for the procurement of goods and information technology goods and services with the Department of General Services. This authority includes establishment of statewide purchasing standards, establishment of a program for delegating procurement authority to state agencies, and supervision of the purchase of supplies and equipment by any state agency. Delegated purchasing authority is

subject to annual review by the Department, as well audit at least once in each three-year period. The Department has the authority to withdraw a department's delegated purchasing authority. The Public Contract Code contains specific exceptions to this authority; this procedure does not apply to those specific exceptions.

- b. Compliance reviews are conducted to ensure that state agencies' delegated purchasing activities adhere to statutory requirements and policy guidelines, follow good business management practices, and are consistently sound in every respect. Agencies' procurement activities monitored through compliance and quality reviews include delegated purchasing programs, CMAS orders, master contract orders (master agreements, statewide contracts, state price schedules), Cal-Card transactions, and prompt payment. Through these reviews, the Department also assists agencies by recommending purchasing program improvements and providing procurement expertise.

2. Administration of the Compliance Review Function

- a. Monitor procurement-related statutes, regulations, policies, and procedures for additions, deletions, and changes, and revise the compliance and quality review procedures as appropriate. (See [Appendix 1](#), Program Sources for Monitoring Compliance Criteria.)
- b. Evaluate and modify, as appropriate, the procurement programs included in the Compliance and Quality Review Program.
- c. Develop, implement, and maintain a schedule of compliance and quality reviews for departments with delegated procurement authority.
- d. Identify, develop, and maintain reference materials and resources for use in compliance reviews and for distribution to delegation holders.
- e. Develop, implement, and maintain internal record file formats and contents and electronic system paths. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.)
- f. Develop, implement, and maintain a Procurement Division website for compliance review-related information.

3. The Compliance Review

a. Introduction

- 1) Criteria. Review of departmental procurement policies, procedures, and acquisition transactions may be conducted for compliance with the following:
 - Statutes
 - Regulations
 - Executive Orders
 - Policies
 - Procedures
 - Guidelines

- Best Business Practices
 - Sound Business Practices
 - Quality
- 2) Programs. Reviews may be conducted for the following procurement programs:
- Delegated Purchasing Authority
 - California Multiple Awards Schedule
 - Master Contracts
 - Master Service Agreements
 - Master Rental Agreements
 - Master Purchase Agreements
 - Statewide Contracts
 - State Price Schedules
 - Cal-Card
 - Prompt Payment
- 3) Schedule. Schedule development may consider the location of the on-site review, the numbers and types of delegations held by the department to be reviewed, and any departmental program time constraints (i.e. fire season, fair season, year-end closeout). As a general rule, reviews will be scheduled in the following priority order:
- a) Three-year cycle as required by Public Contract Code section 10333(b).
 - b) Follow-up reviews.
 - c) Departmental request.

b. Preparing for the Compliance Review

- 1) Delegation Identification/Selection.
- a) Department: Identify the department to be reviewed based on the review schedule.
 - b) Delegation Type(s): Identify the type(s) of delegation(s) held by the department.
- 2) File Preparation. Prepare the review file.
- a) Hard File. Prepare a hard file to store hard copy documents. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.)
 - b) Electronic File. Prepare electronic files/folders to store electronic documents. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.)
- 3) Transaction Quantity Identification. Review the PIN report titled "Releases by Agencies" (available from the Delegations Program) to identify the number of transactions submitted.
- 4) Select Delegation Transactions for Review.
- a) If approximately 300 or fewer transactions have been processed under the delegation for the review period, the reviewer may review all of the transactions. If a determination is made to review fewer transactions or if more than 300 transactions have been processed, see b) below.

- b) A determination may be made to review a portion of the transactions submitted, as described in a) above. These transactions are to be selected by transferring transaction information from the PIN report titled "Releases by Blanket Order" to an Excel spreadsheet and identifying the specific transactions to be reviewed. (See Appendix 2, PIN Download Process, Sample Size Calculator, and the Random Sample Generation.)
 - c) Prepare a list of transactions selected for review, and attach the list to the Compliance Review Confirmation Memo. (See Appendix 3, Transactions Selected for Review, and [Appendix 4](#), Compliance Review Confirmation Memo.)
 - d) In addition to the delegation program transactions selected for review, the delegation holder will select a representative sample (10% recommended) of the department's CMAS orders, master contract orders, and Cal-Card transactions for review. (See [Appendix 4](#), Compliance Review Confirmation Memo.)
- 5) Length of Review Time. Determine the length of time required for conducting the on-site compliance review, including the entrance and exit interviews. As a general rule, an experienced reviewer can review approximately 100 transactions per day. Entrance and exit interviews generally take approximately one hour each, depending on the complexity of the review and the findings.
 - 6) Select Review Date(s). Select the proposed review date(s), based on the Review Schedule and C.3.a.3) above.
 - 7) DGS Audits. Notify DGS Audits (Jim Hawkins) of the proposed review date(s) to ensure there is no conflict with DGS Audits' schedule. If there is a conflict, select a new date(s) for the AQAP review.
 - 8) Contact Delegation Holder. Contact the delegation holder by telephone and inform him/her that a compliance review is being scheduled. Explain what information is required for the review (see [Appendix 4](#), Compliance Review Confirmation Memo) and provide the proposed review dates. *Note: A change in the proposed dates could affect the master review schedule, so changes should be the exception, rather than the rule. Consequently, sufficient advance notice (30 days) to the delegation holder is important.
 - 9) Travel. Make travel arrangements, if applicable.
 - 10) Review Confirmation. Send the delegation holder written confirmation, within two days of C.3.b.8) above, that the compliance review has been scheduled. The written confirmation includes the review parameters, documentation to be made available to the reviewer on-site, and the date and time of the entrance interview. (See [Appendix 4](#), Compliance Review Confirmation Memo.) Distribute the confirmation memorandum. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.)
 - 11) Review Materials. Assemble the materials required to conduct the on-site compliance review. (See Appendix 5, Materials Checklist for Conducting a Delegation Compliance Review.)
 - 12) Past Performance. Review past performance through information obtained from previous compliance reviews, DGS audit reports, Bureau of State Audit reports, customer agency audit reports, federal government audit reports, and/or other appropriate sources.

c. Conducting the Compliance Review

- 1) Conduct the entrance interview. (See [Appendix 6](#), Entrance Interview Checklist.) Inform the delegation holder that an exit interview will be conducted at the conclusion of the review, prior to the reviewer leaving the site, and that the date and time will be selected as the review nears completion. Inform the delegation holder that he/she will be provided with Payment Data Forms at the exit interview for collection of payment data after the on-site review is complete. *Note: If the review report requires prior management review, the exit interview should not be scheduled at this time.
- 2) Review documents/records for compliance with statutes, regulations, executive orders, policies, procedures, delegation guidelines, best/sound business practices, and quality. (See [Appendix 7](#), Compliance Review Checklist.) Track the number of transactions reviewed. (See Appendix 8, Compliance Review Tally Sheets.) Select transactions (10% of transactions reviewed for each program) for payment data collection. (See [Appendix 9](#), Payment Data Form.) *Note: Transactions that utilize Cal-Card as the payment method are reviewed as individual purchasing transactions. The documentation for these transactions is attached as backup to the bankcard statement of account. When recording these transactions on the checklist, use the bankcard statement of account number as the "Order No.", followed by "/CC" (CC = Cal-Card) and enter the supplier name. These individual purchasing transactions are recorded on the tally sheets according to the type/level of transaction. Each bankcard statement of account is recorded on the Cal-Card tally sheet.
- 3) Compile the review data and prepare the Compliance Review Report. (See [Appendix 10](#), Compliance Review Report.) Provide to AQAP manager for review, if applicable. At the appropriate time (see C.3.c.4) below), distribute the review report. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.) *Note: Each transaction that utilizes Cal-Card as the payment method is recorded, in the chart on page 1 of the review report (columns 1 or 2), as an individual purchasing transaction according to the type/level of transaction. Each bankcard statement of account is recorded, in the chart on page 1 of the review report (column 3), as a Cal-Card Statement of Account. Each bankcard Financial Summary (the pay invoice) is recorded, in the chart on page 1 of the review report (column 3), as a Cal-Card RO-60 Financial Summary. Findings are recorded in the same manner.
- 4) Schedule the exit interview. The exit interview may be conducted prior to leaving the review site or may be scheduled at a later date. If the exit interview is scheduled for a later date, within 5 working days of completion of the on-site review send the delegation holder written confirmation, with the review report attached, that the exit interview has been scheduled. Every effort should be made to schedule the exit interview as soon after completion of the on-site review as possible. (See [Appendix 12](#), Exit Interview Confirmation Memo.) Distribute the confirmation memorandum. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.) *Note: An exit interview is not required and may not be necessary if the review report contains few or no negative findings.
- 5) Conduct an exit interview, if appropriate (see C.3.c.4), with the delegation holder to present the reviewer's findings and recommendations, answer questions, and

provide resource materials as appropriate. Ask the delegation holder and other attendees to sign the Compliance Review Report and provide a copy of the memo to the delegation holder. Provide the delegation holder with Payment Data Forms, as applicable, and specify the date by which the forms are to be returned and the return addressee. (See [Appendix 13](#), Exit Interview Checklist, Appendix 14, Resource Library, and [Appendix 9](#), Payment Data Form.)

d. Completing the Compliance Review

- 1) Prepare an Alert Bulletin, if appropriate. (See Appendix 15, Compliance Review Alert Bulletin.) Distribute the Alert Bulletin. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.)
- 2) Update the Compliance Review Schedule, either for the next regularly-scheduled review (3 years) or for a follow-up review (6 months or as determined by the reviewer). (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.)
- 3) Verify update of Procurement Division and System Integrity compliance records. (See Appendix 11, Compliance Records Structure, Format, Maintenance, and Distribution.)

4. Compliance Review Follow-Up Activities

- a. Chart review findings by criteria to identify common deficiencies across all agencies.
- b. Maintain specific review criteria findings for specific agencies (i.e. DAAs' opportunity buys, DHS Medi-Cal payments under prompt pay).
- c. Incorporate review report and alert bulletin information into procedures, checklist, resource materials, etc.
- d. Propose additions, deletions, and/or changes regarding compliance criteria to program sources. (See [Appendix 1](#), Program Sources for Monitoring Compliance Criteria.)

D. Responsibilities

1. Delegation Holder – As the holder of his/her department's delegated purchasing authority, responsible for ensuring adherence to the State's acquisition-related statutes, regulations, policies, procedures, and guidelines. Also responsible for the quality of each acquisition transaction through utilization of the best possible acquisition practices.
2. Buyer – Each buyer is responsible and accountable for ensuring that his/her acquisition transactions are accurate and complete, that those transactions are in compliance with acquisition laws, regulations, policies, procedures, and guidelines, and that he/she has followed the best possible acquisition practices, thereby ensuring the quality of each acquisition transaction.
3. Reviewer – Reviews departmental policies, procedures, and acquisition transactions to ensure that procurement activities adhere to statutory requirements and policy guidelines, follow good business management practices, and are consistently sound in every respect. In addition, recommends purchasing program improvements and provides procurement expertise.

E. Appendices

1. [Appendix 1](#) Program Sources for Monitoring Compliance Criteria
2. [Appendix 2](#) PIN Download Process, Sample Size Calculator, Random Sample Generation
3. [Appendix 3](#) Transactions Selected for Review
4. [Appendix 4](#) Review Confirmation Memo
5. [Appendix 5](#) Materials Checklist for Conducting a Delegation Compliance Review
6. [Appendix 6](#) Entrance Interview Checklist
7. [Appendix 7](#) Purchasing Program Compliance Criteria Checklist
 - [General](#)
 - [Delegated Commodity Transactions <= \\$100.00](#)
 - [Delegated Commodity Transactions \\$100.01 - \\$5,000](#)
 - [Delegated Commodity Transactions \\$5,000.01 - \\$25,000](#)
 - [Delegated Commodity Transactions >= \\$25,000.01](#)
 - [Delegated Information Technology Transactions <=\\$5,000](#)
 - [Delegated Information Technology Transactions \\$5,000.01 - \\$500,000](#)
 - [CMAS Program Commodity Transactions](#)
 - [CMAS Program Information Technology Transactions](#)
 - [Master Agreement Program](#)
 - [Statewide Contracts Program](#)
 - [State Price Schedule Program](#)
 - [CAL-Card Program](#)
8. [Appendix 8](#) Tally Sheets
9. [Appendix 9](#) Payment Data Form
10. [Appendix 10](#) Review Report
11. [Appendix 11](#) Records Structure, Format, Maintenance, and Distribution
12. [Appendix 12](#) Exit Interview Confirmation Memo
13. [Appendix 13](#) Exit Interview Checklist
14. [Appendix 14](#) Resource Library
15. [Appendix 15](#) Alert Bulletin

F. Authority and References

1. Statutory:
 - Public Contract Code Section 10290.1
 - Public Contract Code Section 10308
 - Public Contract Code Section 10309
 - Public Contract Code Section 10320
 - Public Contract Code Section 10330
 - Public Contract Code Section 10331
 - Public Contract Code Section 10332
 - Public Contract Code Section 10333
 - Public Contract Code Section 12100
 - Public Contract Code Section 12101
 - Public Contract Code Section 12101.5
 - Public Contract Code Section 12102
2. Regulatory: California Code of Regulations Section 870.3

3. PD Procedural: CAM 3.3.1 Authority to Procure
CAM 3.6.2 Quality Review of Solicitations and
Contracts

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